

**SOUTHPORT & ORMKSIRK HOSPITAL NHS TRUST**

**FINAL  
ACCOUNTS**

**FOR THE YEAR ENDING 31 MARCH 2007**

*C E Throp  
Director of Finance*

**2006-07 Annual Accounts of Southport & Ormskirk Hospital NHS Trust**

**STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST**

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Department of Health.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an accountable officer.

.....6.6.7.....Date.....J Parry.....Chief Executive

## 2006-07 Annual Accounts of Southport & Ormskirk Hospital NHS Trust

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the trust and of the income and expenditure of the trust for that period. In preparing those accounts, the directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury
- make judgements and estimates which are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board

.....6.6.7.....Date.....J Parry.....Chief Executive

.....6.6.7.....Date.....C Throp.....Finance Director

# Southport and Ormskirk Hospital NHS Trust

## STATEMENT ON INTERNAL CONTROL 2006/2007

### 1. Scope of Responsibility

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievements of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

In order to meet my responsibilities as Accountable Officer I have processes in place to ensure good working arrangements with partner organisations and the Strategic Health Authority which include:

- Meetings with Primary Care Trust Chief Executive's and Chairs
- Chief Executive Forum with the PPIF
- Attendance at Overview and Scrutiny Committee meetings
- North Mersey Chief Executives meetings
- Local Strategic Partnership Group
- Strategic Health Authority Chief Executive meetings
- Internal system of Performance Management

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives.
- Evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Southport and Ormskirk Hospital NHS Trust for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

### **3. Capacity to Handle Risk**

As Accountable Officer I have overall responsibility for risk management with my Deputy being the lead Executive. Each Executive Director has a clearly defined objective to manage risk within their area of responsibility. Each Service Division has an identified Risk Lead who works in conjunction with the Trust Risk Managers to develop and oversee the risk management process throughout the organisation. The Integrated Governance Structure led by the Deputy Chief Executive and the Medical Directors continued to operate successfully throughout the year. This brings together all the elements of risk management, clinical governance, clinical audit and research & development under a single co-ordinated management structure.

To support our strategy and associated management structure there are also two clear mechanisms for handling issues of risk. These are:

1. The development of annual strategic objectives which underpin the robust Assurance Framework which is approved and overseen by the Trust Board with rigorous monitoring being the responsibility of the Risk Management Committee which is a formal sub-committee of the Trust Board.
2. A functional corporate Risk Register which is facilitated by the Integrated Governance Structure but again rigorously monitored by the Risk Management Committee.

The Southport and Ormskirk Hospital NHS Trust is continually developing the Risk Register. The register assists with the development of an organisation wide risk aware culture and enables risk management decision making to occur as near to the risk source as possible. Those risks that cannot be dealt with locally are escalated to the appropriate level.

A review of the organisations 'Risk Maturity' has taken place during the year with the Trust being identified through Audit opinion as being 'Risk Defined'. This helpful audit will assist the Trust in continuing to develop it's successful risk structure by learning from best practice.

Risk Management, risk assessment and incident reporting is included in the core induction programme for all new employees. Induction training supports the principles of the National Patients Safety Agency, the promotion of an open and fair blame culture, and identifies the systems and structures in place within the organisation which support the management of risk. Risk Management training is also included in the Trust Mandatory training programme which staff are required to attend annually. Training on other aspects of risk management such as root cause analysis, risk assessment for risk assessors, fire

response and complaints is provided on an ongoing basis throughout the year.

Staff are trained in the operation of the risk management process in general and in the specifics where particular accountabilities are held. Divisional Risk Leads and the Trust's Risk Managers are available to provide support and guidance to any member of staff.

#### **4. The Risk and Control Framework**

The Southport and Ormskirk Hospital NHS Trust has an embedded risk management culture. The context of risk is described in the Risk Management Strategy which is approved by the Trust Board. The Strategy has been reviewed and updated during the year leading to a new published strategy for 2006-2009 being approved by the Trust Board in April 2006. The key elements of the Strategy include:

- Scope of Risk Management
- Strategic Aims and Objectives
- Risk Management and Policy Statement
- Responsibilities and Scheme of Delegation
- Risk Management Department
- Risk Management Process
- Risk Register
- Statement on Internal Control
- Communications
- Training
- Annual Risk Development Plan
- Monitoring and Review
- Risk Management Committees – Terms of Reference
- Ward/Department Risk Management Strategy Model
- Risk Assessment Model

The Risk Management Strategy was subject to a further yearly review at the March 2007 meeting of the Risk Management Committee.

The Southport and Ormskirk Hospital NHS Trust has a comprehensive list of policies which support the risk management framework and are accessible via the Trust Intranet, the key ones are:

- Accident Incident & Near Miss Reporting
- Health and Safety
- Emergency Contingency and Business Continuity Planning
- Fire
- Security
- Major Clinical Incident
- Handling of Clinical Negligence Employers and Public Liability Claims
- Complaints Policy and Procedure
- Zero tolerance towards violence and aggression

Once risks are identified they are evaluated and graded in accordance with the risk assessment model which is described in the Risk Management Strategy. Reasonable practicable control measures are implemented and residual risk is recorded in the Risk Register.

The Strategic Objectives for the Trust are reflected in each of the Executive Directors personal objectives and appraisals. These objectives are monitored by the Chief Executive using the Trust Appraisal system.

In addition to the personal objectives for each Executive Director key elements of Integrated Governance and hence Risk Management are incorporated within the quarterly Performance Management Framework (PMF) Monitoring meetings which are chaired by the Deputy Chief Executive and the Director of Finance. These are formal reviews of performance for each Service Division within the Trust.

There are no gaps in control.

Two minor gaps in assurance have been identified within only two of the elements of the principal objectives in the 2006/07 Assurance Framework. These elements are within the following strategic objectives:

- Continue the drive towards financial balance.
- Expand partnership working opportunities with all external stakeholders and partners.

The first element related to the failure of the Department of Health to support a proposed partnership with the private sector on an ISTC development and the second element related to the lack of Primary Care infrastructure to support service re-design as part of the Best Care Practice Service Improvement Framework. Both elements are outside the direct control of the Southport and Ormskirk Hospital NHS Trust and have been graded as low risk.

The Assurance Framework supports the Trust's Strategic Objectives. Risks identified on the Assurance Framework are strictly monitored by all the committees specific to risk with overall organisational progress being reviewed by the Risk Management Committee on behalf of the Trust Board.

The Trust Board receives a report on the development of the Assurance Framework at least three times per year with the Risk Management Committee reviewing the Framework at each meeting. Through the Board Cycle, the Trust Board also receives reports throughout the year on:

Review of the Risk Register  
The Patients Experience  
Annual Report on the Security Management Service  
Infection Control  
Child Protection  
Integrated Governance

Within the year the Trust has continued to operate under CNST Level 3 (General) and CNST Level 2 (Maternity).

The Trust has also performed an extensive review of the Core Standards of the Standards for Better Health Annual Health Check and has declared compliance for the year 2006/07. There is a formal system of performance monitoring and control against the standards which is underpinned by an extensive database of evidence.

The Trust has also been subject to a number of reviews of its risk management and effectiveness by independent agencies such as Mersey Internal Audit Agency and external auditors KMPG who have performed the Auditors Local Evaluation (ALE) Assessment.

The outcomes of all external reviews are presented to the Audit Committee on behalf of the Trust Board.

Public stakeholders are involved in managing risks which impact on them primarily through the Trust working closely with the members of the Patient & Public Involvement Forum. Meetings are held on a regular basis where agreement is reached on how the Trust and members of the Forum can work together to improve clinical services and the planning of health services. The Trust has produced a Patient & Public Involvement Strategy and Implementation Plan for 2006/09 which sets out the ways in which public stakeholders will be involved over the three year period. The Strategy includes learning from patient surveys, complaints, compliments, audit and the patients experience.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

## **5. Review of Effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Director of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the



Assurance Framework and on the controls reviewed as part of the internal audit work. Executive Directors within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed.

My review has therefore been informed by:

- Internal Audit opinion
- Accreditation by external review agencies
- External Audit
- Health & Safety Executive
- NHS Security Management Service
- Standards for Better Health Declaration – both Core and Developmental standards
- Trust Board
- Risk Management Committee
- Executive Directors
- The Integrated Core Governance Team
- Clinical Governance Committee
- Audit Committee

I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the above mentioned processes and committees. A plan to address weaknesses and ensure continuous improvement of the system is in place.

Where internal control issues are identified the risk management process results in the establishment of a specific action plan to control as far as is practicable the risk involved. Management and implementation of the action plan is the responsibility of the designated Executive Director. Progress in implementing these action plans is monitored by the Risk Management Department and the Trust's internal performance management arrangements. Residual risk is recorded in the risk register, which is routinely monitored by the Risk Management Committee.

Internal Audit provide quarterly reports to the Audit Committee and full reports to the Director of Finance and appropriate line managers. The Audit Committee also receives details of any actions that remain outstanding following the follow up of previous audit work. The Director of Finance also meets with the Audit Manager on a regular basis.

There are no significant internal control issues identified during the year 2006/2007.

Strategically significant risks are highlighted and monitored through the Assurance Framework.

Challenges for the year 2007/2008 have been identified and included below:

Delivering the Strategic Financial Recovery Plan  
Payment by results and the Contracting & Commercial Strategy  
Delivering the 18-Week Referral to Treatment Target (RTT)  
The impact of Patient Choice  
Maintenance of Access Targets  
Working towards the required Developmental standards of  
Standards for Better Health – The Annual Health Check

Signed: J Parry **CHIEF EXECUTIVE**

Date: ...2<sup>nd</sup> May 2007..... (on behalf of the Trust Board)

# **Independent auditors' report to the Directors of the Board of Southport and Ormskirk Hospital NHS Trust**

## **Opinion on the financial statements**

We have audited the financial statements of Southport and Ormskirk Hospital NHS Trust for the year ended 31 March 2007 under the Audit Commission Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies relevant to the National Health Service set out within them.

This report is made solely to the Board of Southport and Ormskirk Hospital NHS Trust in accordance with Section 2 of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Board of Southport and Ormskirk Hospital NHS Trust those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Southport and Ormskirk Hospital NHS Trust and the Board of Southport and Ormskirk Hospital NHS Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the directors and the auditor**

The directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the part of the Remuneration Report to be audited (details of senior manager's remuneration and pensions) has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

We review whether the directors' statement on internal control reflects compliance with the Department of Health's requirements 'The Statement on Internal Control 2003/2004' issued on 15 September 2003 and further guidance issued on 5 April 2005, 7 April 2006 and 2 April 2007. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword, the unaudited part of the Remuneration Report, the Chairman's Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2007 and of its income and expenditure for the year then ended; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

***KPMG LLP***

KPMG LLP  
Manchester  
20 June 2007

# **2006-07 Annual Accounts of Southport & Ormskirk Hospital NHS Trust**

## **FOREWORD TO THE ACCOUNTS**

### **SOUTHPORT & ORMSKIRK HOSPITAL NHS TRUST**

These accounts for the year ended 31 March 2007 have been prepared by the Southport & Ormskirk Hospital NHS Trust under section 98(2) of the National Health Service Act 1977 (as amended by section 24(2), schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 March 2007**

	NOTE	2006/07 £000	2005/06 £000
<b>Income from activities</b>	3	<b>114,843</b>	115,139
<b>Other operating income</b>	4	<b>9,694</b>	10,329
<b>Operating expenses</b>	5	<b><u>(122,908)</u></b>	<b><u>(121,893)</u></b>
<b>OPERATING SURPLUS/(DEFICIT)</b>		<b>1,629</b>	3,575
Cost of fundamental reorganisation/restructuring		<b>0</b>	0
Profit/(loss) on disposal of fixed assets	8	<b><u>3</u></b>	<b><u>1,218</u></b>
<b>SURPLUS/(DEFICIT) BEFORE INTEREST</b>		<b>1,632</b>	4,793
Interest receivable		<b>713</b>	260
Interest payable	9	<b>0</b>	0
Other finance costs - unwinding of discount	16	<b>(20)</b>	<b>(21)</b>
Other finance costs - change in discount rate on provisions		<b><u>0</u></b>	<b><u>(113)</u></b>
<b>SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR</b>		<b>2,325</b>	4,919
Public Dividend Capital dividends payable		<b><u>(5,148)</u></b>	<b><u>(4,919)</u></b>
<b>RETAINED SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b><u><u>(2,823)</u></u></b>	<b><u><u>0</u></u></b>

The notes on pages 2 to 41 form part of these accounts.

All income and expenditure is derived from continuing operations.

**NOTE TO THE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED  
31 March 2007**

	<b>31 March 2007 £000</b>	31 March 2006 £000
Retained surplus/(deficit) for the year	<b>(2,823)</b>	0
Financial support included in retained surplus/(deficit) for the year - NHS Bank	<b>0</b>	0
Financial support included in retained surplus/(deficit) for the year - Internally Generated	<b>0</b>	14,260
	<b>(2,823)</b>	14,260
Retained surplus/(deficit) for the year excluding financial support	<b>(2,823)</b>	<b>(14,260)</b>

Financial support is income provided wholly to assist in managing the NHS Trust's financial position. Internally generated financial support is financial support received from within the local health economy, consisting of the area of responsibility of the North West Strategic Health Authority.

In 2006/07 the provision of financial support has been replaced by a regime of loans and deposits with the Department of Health. Details of loans received or deposits placed with the Department of Health can be found in notes 14 and 15.1 to the accounts.

**BALANCE SHEET AS AT  
31 March 2007**

	NOTE	31 March 2007 £000	31 March 2006 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	0	0
Tangible assets	11	156,316	144,609
Investments	14.1	0	0
		<u>156,316</u>	<u>144,609</u>
<b>CURRENT ASSETS</b>			
Stocks and work in progress	12	1,924	2,040
Debtors	13	6,347	19,814
Investments	14.2	0	0
Cash at bank and in hand	18.3	364	347
		<u>8,635</u>	<u>22,201</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>(11,476)</u>	<u>(8,215)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>(2,841)</u>	13,986
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>153,475</u>	<u>158,595</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15	0	0
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(1,758)	(2,414)
<b>TOTAL ASSETS EMPLOYED</b>		<u>151,717</u>	<u>156,181</u>
<b>FINANCED BY:</b>			
<b>TAXPAYERS' EQUITY</b>			
Public dividend capital	22	94,664	107,565
Revaluation reserve	17	57,054	46,857
Donated asset reserve	17	1,623	792
Government grant reserve	17	260	260
Other reserves	17	0	0
Income and expenditure reserve	17	(1,884)	707
<b>TOTAL TAXPAYERS' EQUITY</b>		<u>151,717</u>	<u>156,181</u>

The financial statements on pages 2 to 6 were approved by the Board on 6th June 2007 and signed on its behalf by:

Signed: .....J Parry.....(Chief Executive)

Date: .....6.6.7.....



**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED  
31 March 2007**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Surplus/(deficit) for the financial year before dividend payments	<b>2,325</b>	4,919
Fixed asset impairment losses	<b>0</b>	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	<b>10,480</b>	<b>(2,748)</b>
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	<b>895</b>	60
Defined benefit scheme actuarial gains/(losses)	<b>0</b>	0
Additions/(reductions) in "other reserves"	<b>0</b>	<b>0</b>
<b>Total recognised gains and losses for the financial year</b>	<b>13,700</b>	2,231
Prior period adjustment	<b>0</b>	0
<b>Total gains and losses recognised in the financial year</b>	<b>13,700</b>	<b>2,231</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED**  
**31 March 2007**

	NOTE	2006/07 £000	2005/06 £000
<b>OPERATING ACTIVITIES</b>			
<b>Net cash inflow/(outflow) from operating activities</b>	18.1	<b>20,192</b>	<b>(1,132)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:</b>			
Interest received		704	272
Interest paid		0	0
Interest element of finance leases		0	0
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>		<b>704</b>	<b>272</b>
<b>CAPITAL EXPENDITURE</b>			
(Payments) to acquire tangible fixed assets		<b>(4,250)</b>	<b>(15,916)</b>
Receipts from sale of tangible fixed assets		1,420	12,512
(Payments) to acquire intangible assets		0	0
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
<b>Net cash inflow/(outflow) from capital expenditure</b>		<b>(2,830)</b>	<b>(3,404)</b>
<b>DIVIDENDS PAID</b>			
<b>Net cash inflow/(outflow) before management of liquid resources and financing</b>		<b>12,918</b>	<b>(9,183)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(Purchase) of investments with DH		0	0
(Purchase) of other current asset investments		0	0
Sale of investments with DH		0	0
Sale of other current asset investments		0	0
<b>Net cash inflow/(outflow) from management of liquid resources</b>		<b>0</b>	<b>0</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>12,918</b>	<b>(9,183)</b>
<b>FINANCING</b>			
Public dividend capital received		0	9,190
Public dividend capital repaid (not previously accrued)		<b>(12,901)</b>	0
Public dividend capital repaid (accrued in prior period)		0	0
Loans received from DH		0	0
Other loans received		0	0
Loans repaid to DH		0	0
Other loans repaid		0	0
Other capital receipts		0	0
Capital element of finance lease rental payments		0	0
Cash transferred (to)/from other NHS bodies		0	0
<b>Net cash inflow/(outflow) from financing</b>		<b>(12,901)</b>	<b>9,190</b>
<b>Increase in cash</b>		<b>17</b>	<b>7</b>

## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trust Manual for Accounts which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK generally accepted accounting practice and HM Treasury's Government Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

#### 1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

#### 1.3 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

## 1.4 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year; they can be valued; and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

## 1.5 Tangible fixed assets

### Capitalisation

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they

- individually have a cost of at least £5,000; or
- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

Expenditure on digital hearing aids in the year ended 31 March 2004 (but not in earlier years) was treated as capital expenditure, in accordance with the amendment to the Capital Accounting Manual issued in July 2003, giving rise to an increase in fixed assets regardless of the cost of the individual hearing aids. Subsequent purchases of digital hearing aids are capitalised only when the total value is greater than £5,000. Where small numbers of appliances are purchased the costs are expensed as incurred.

### Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

Professional valuations are carried out by the District Valuers of the Revenue and Customs Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on the 31 March 2005.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

Assets in the course of construction are valued at current cost using the indexes as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

Residual interests in off-balance sheet Private Finance Initiative properties are included in tangible fixed assets as 'assets under construction and payments on account' where the PFI contract specifies the amount, or nil value at which the assets will be transferred to the Trust at the end of the contract. The residual interest is built up, on an actuarial basis, during the life of the contract by capitalising part of the unitary charge so that at the end of the contract the balance sheet value of the residual value plus the specified amount equal the expected fair value of the residual asset at the end of the contract. The estimated fair value of the asset on reversion is determined by the District Valuer based on Department of Health guidance. The District Valuer should provide an estimate of the anticipated fair value of the assets on the same basis as the District Valuer values the NHS Trust's estate.

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

### **Depreciation, amortisation and impairments**

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land and assets surplus to requirements.

Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the Trust, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income may be paid by the Trust's main commissioner using funding provided by the NHS Bank.

#### **1.6 Donated fixed assets**

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

#### **1.7 Government Grants**

Government grants are grants from government bodies other than funds from NHS bodies or funds awarded by Parliamentary Vote. The government grants reserve is maintained at a level equal to the net book value of the assets which it has financed. Gains and losses on revaluations are also taken to the Government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Government grant reserve to the Income and Expenditure account. Similarly, any impairment on grant funded assets charged to the Income and Expenditure Account is matched by a transfer from the Reserve.

#### **1.8 Private Finance Initiative (PFI) transactions**

There were no PFI transactions.

#### **1.9 Stocks and work-in-progress**

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

#### **1.10 Research and development**

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the following criteria:

- there is a clearly defined project;
- the related expenditure is separately identifiable;

- the outcome of the project has been assessed with reasonable certainty as to:
  - its technical feasibility;
  - its resulting in a product or service which will eventually be brought into use;
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. NHS Trusts are unable to disclose the total amount of research and development expenditure charged in the income and expenditure account because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

### **1.11 Provisions**

The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

#### **Clinical negligence costs**

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 16.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2006/07 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

#### **Non-clinical risk pooling**

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses as and when they become due.

### **1.12 Pension costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the NHS Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation on this basis took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at [www.nhs.gov.uk](http://www.nhs.gov.uk). Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Income and Expenditure account at the time the NHS Trust commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

### **1.13 Liquid resources**

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

### **1.14 Value Added Tax**

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.



### **1.15 Foreign Exchange**

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure Account.

### **1.16 Third Party Assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 28 to the accounts.

### **1.17 Leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

### **1.18 Public Dividend Capital (PDC) and PDC Dividend**

Public Dividend Capital represents the outstanding public debt of an NHS Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the NHS Trust.

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. A note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

### **1.19 Losses and Special Payments**

Losses and Special Payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). Note 30 is compiled directly from the losses and compensations register which is prepared on a cash basis.

### **1.20 EU Emissions Trading Scheme**

EU Emission Trading Scheme allowances are accounted for as government granted current asset investments, valued at open market value. As the Trust makes emissions a provision is recognised, with an offsetting transfer from the government grant reserve. The provision is settled on surrender of the allowances. The current asset investment, provision and government grant reserve are valued at current market value at the balance sheet date.

## **2 SEGMENTAL ANALYSIS**

The Trust has one business segment only.

**3. Income from Activities**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Strategic Health Authorities	<b>0</b>	14,300
NHS Trusts	<b>241</b>	334
Primary Care Trusts	<b>105,978</b>	97,472
Foundation Trusts	<b>225</b>	0
Local Authorities	<b>0</b>	0
Department of Health	<b>6,891</b>	1,463
NHS Other	<b>0</b>	0
Non NHS:		
- Private patients	<b>338</b>	367
- Overseas patients (non-reciprocal)	<b>10</b>	4
- Road Traffic Act	<b>1,117</b>	1,179
- Injury cost recovery	<b>0</b>	0
- Other	<b>43</b>	20
	<b><u>114,843</u></b>	<u>115,139</u>

Road Traffic Act income is subject to a provision for doubtful debts of 7.7% to reflect expected rates of collection

**4. Other Operating Income**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Patient transport services	<b>0</b>	0
Education, training and research	<b>3,634</b>	4,134
Charitable and other contributions to expenditure	<b>0</b>	0
Transfers from donated asset reserve	<b>115</b>	81
Transfers from government grant reserve	<b>0</b>	7
Non-patient care services to other bodies	<b>3,907</b>	4,107
Income Generation	<b>2,008</b>	1,972
Other income	<b>30</b>	28
	<b><u>9,694</u></b>	<u>10,329</u>

Income generation includes:

Car parking	£975,380	(05/06 figure £825,628)
Creche	£261,413	(05/06 figure £298,334)
Accommodation	£160,237	(05/06 figure £177,064)
Catering	£561,639	(05/06 figure £597,144)

## 5. Operating Expenses

### 5.1 Operating expenses comprise:

	2006/07	2005/06
	£000	£000
Services from other NHS Trusts	1,020	1,283
Services from other NHS bodies	1,338	1,444
Services from Foundation Trusts	542	264
Purchase of healthcare from non NHS bodies	48	44
Directors' costs	565	671
Staff costs	86,744	87,529
Supplies and services - clinical	13,049	12,014
Supplies and services - general	1,678	1,728
Establishment	1,219	1,373
Transport	277	286
Premises	6,052	5,451
Bad debts	125	150
Depreciation	5,041	5,796
Amortisation	0	0
Fixed asset impairments and reversals	0	0
Audit fees	161	239
Other auditor's remuneration	0	0
Clinical negligence	1,563	1,631
Redundancy costs	1,313	0
Other	2,173	1,990
	<b><u>122,908</u></b>	<b><u>121,893</u></b>

Bad debts include £107,270 for irrecoverable Road Traffic Accident (RTA) income.

Other expenditure includes:

Operating lease payments	£1,279,632	(05/06 figure £915,713)
Courses and conferences	£ 240,303	(05/06 figure £473,305)

## 5.2 Operating leases

### 5.2/1 Operating expenses include:

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Hire of plant and machinery	<b>4</b>	5
Other operating lease rentals	<b>1,366</b>	991
	<u><b>1,370</b></u>	<u>996</u>

### 5.2/2 Annual commitments under non - cancellable operating leases are:

	<b>Land and buildings</b>		<b>Other leases</b>	
	<b>2006/07</b>	2005/06	<b>2006/07</b>	2005/06
	<b>£000</b>	£000	<b>£000</b>	£000
Operating leases which expire:				
Within 1 year	<b>0</b>	0	<b>45</b>	35
Between 1 and 5 years	<b>0</b>	0	<b>20</b>	24
After 5 years	<b>0</b>	0	<b>1,281</b>	1,281
	<u><b>0</b></u>	<u>0</u>	<u><b>1,346</b></u>	<u>1,340</u>

**6. Staff costs and numbers**

**6.1 Staff costs**

	<b>Total</b>	<b>2006/07 Permanently Employed</b>	<b>Other</b>	2005/06
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000
Salaries and wages	<b>73,508</b>	70,373	3,135	74,775
Social Security Costs	<b>5,481</b>	5,481	0	5,374
Employer contributions to NHS Pension Scheme	<b>8,198</b>	8,198	0	7,929
Other pension costs	<b>73</b>	73	0	72
	<b><u>87,260</u></b>	<b><u>84,125</u></b>	<b><u>3,135</u></b>	<b><u>88,150</u></b>

**6.2 Average number of persons employed**

	<b>Total</b>	<b>2006/07 Permanently Employed</b>	<b>Other</b>	2005/06
	<b>Number</b>	<b>Number</b>	<b>Number</b>	Number
Medical and dental	<b>280</b>	251	29	286
Ambulance staff	<b>0</b>	0	0	0
Administration and estates	<b>517</b>	516	1	566
Healthcare assistants and other support staff	<b>658</b>	658	0	694
Nursing, midwifery and health visiting staff	<b>681</b>	674	7	713
Nursing, midwifery and health visiting learners	<b>4</b>	0	4	0
Scientific, therapeutic and technical staff	<b>379</b>	379	0	373
Social care staff	<b>0</b>	0	0	0
Other	<b>0</b>	0	0	0
Total	<b><u>2,519</u></b>	<b><u>2,478</u></b>	<b><u>41</u></b>	<b><u>2,632</u></b>

### 6.3 Employee benefits

There were no employee benefits in 2006/07 or in 2005/06.

### 6.4 Management costs

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Management costs	<b>4,451</b>	4,609
Income	<b>124,539</b>	125,468

Management costs in 2006/07 are 3.57% (prior year 3.67%).

Management costs are defined as those on the management costs website at [www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en](http://www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en)

### 6.5 Retirements due to ill-health

During 2006/07 there were 9 (2005/06, 6) early retirements from the NHS Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £442,664 (£386,691). The cost of these ill-health retirements will be borne by the NHS Business Services Authority -Pensions Division.

## 7. Better Payment Practice Code

### 7.1 Better Payment Practice Code - measure of compliance

	2006/07	
	Number	£000
Total Non-NHS trade invoices paid in the year	39,423	34,897
Total Non NHS trade invoices paid within target	29,552	29,702
Percentage of Non-NHS trade invoices paid within target	75%	85%
Total NHS trade invoices paid in the year	1,538	7,730
Total NHS trade invoices paid within target	1,245	6,282
Percentage of NHS trade invoices paid within target	81%	81%

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later.

### 7.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2006/07	2005/06
	£000	£000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0

## 8. Profit/(Loss) on Disposal of Fixed Assets

Profit/(loss) on the disposal of fixed assets is made up as follows:

	2006/07	2005/06
	£000	£000
Profit on disposal of fixed asset investments	0	0
(Loss) on disposal of fixed asset investments	0	0
Profit on disposal of intangible fixed assets	0	0
(Loss) on disposal of intangible fixed assets	0	0
Profit on disposal of land and buildings	0	1,220
(Loss) on disposal of land and buildings	0	0
Profits on disposal of plant and equipment	3	0
(Loss) on disposal of plant and equipment	0	(2)
	<u>3</u>	<u>1,218</u>

There was only one major property disposal and that was an NHS transfer of part of the Southport General Infirmary site to Merseycare.

## 9. Interest Payable

	2006/07	2005/06
	£000	£000
Finance leases	0	0
Late payment of commercial debt	0	0
Loans	0	0
Other	0	0
	<u>0</u>	<u>0</u>



**10. Intangible Fixed Assets**

	<b>Software licences £000</b>	<b>Licenses and trademarks £000</b>	<b>Patents £000</b>	<b>Development expenditure £000</b>	<b>Total £000</b>
Gross cost at 1 April 2006	0	0	0	0	0
Indexation				0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Additions purchased	0	0	0	0	0
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Gross cost at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Amortisation at 1 April 2006	0	0	0	0	0
Indexation				0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Charged during the year	0	0	0	0	0
Disposals	0	0	0	0	0
<b>Amortisation at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book value</b>					
- Purchased at 1 April 2006	0	0	0	0	0
- Donated at 1 April 2006	0	0	0	0	0
- Government granted at 1 April 2006	0	0	0	0	0
<b>- Total at 1 April 2006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- Purchased at 31 March 2007	0	0	0	0	0
- Donated at 31 March 2007	0	0	0	0	0
- Government granted at 31 March 2007	0	0	0	0	0
<b>- Total at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**11. Tangible Fixed Assets**
**11.1 Tangible fixed assets at the balance sheet date comprise the following elements:**

	Land	Buildings excluding dwellings	Dwellings	Assets under construction and payments on account*	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2006	23,278	106,787	1,082	1,370	28,172	466	5,169	3,740	170,064
Additions purchased	0	852	0	4,864	971	0	89	14	6,790
Additions donated	0	0	0	0	892	0	0	3	895
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	640	0	(815)	163	0	0	12	0
Indexation	1,330	8,661	87	99	776	13	0	104	11,070
Other in year revaluation	0	0	0	0	0	0	0	0	0
Disposals	(1,063)	(353)	0	0	(401)	0	(21)	(7)	(1,845)
<b>Cost or Valuation at 31 March 2007</b>	<b>23,545</b>	<b>116,587</b>	<b>1,169</b>	<b>5,518</b>	<b>30,573</b>	<b>479</b>	<b>5,237</b>	<b>3,866</b>	<b>186,974</b>
Depreciation at 1 April 2006					18,117	340	4,054	2,944	25,455
Charged during the year	0	2,218	52		2,204	26	342	199	5,041
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0		0	0	0	0	0
Indexation	0	0	0		500	9		81	590
Other in year revaluation					0	0	0	0	0
Disposals	0	0	0		(400)	0	(21)	(7)	(428)
<b>Depreciation at 31 March 2007</b>	<b>0</b>	<b>2,218</b>	<b>52</b>	<b>0</b>	<b>20,421</b>	<b>375</b>	<b>4,375</b>	<b>3,217</b>	<b>30,658</b>
<b>Net book value</b>									
- Purchased at 1 April 2006	23,278	106,002	1,082	1,370	9,806	117	1,115	787	143,557
- Donated at 1 April 2006	0	525	0	0	249	9	0	9	792
- Government granted at 1 April 2006	0	260	0	0	0	0	0	0	260
<b>- Total at 1 April 2006</b>	<b>23,278</b>	<b>106,787</b>	<b>1,082</b>	<b>1,370</b>	<b>10,055</b>	<b>126</b>	<b>1,115</b>	<b>796</b>	<b>144,609</b>
- Purchased at 31 March 2007	23,545	113,549	1,117	5,518	9,106	97	862	639	154,433
- Donated at 31 March 2007	0	560	0	0	1,046	7	0	10	1,623
- Government granted at 31 March 2007	0	260	0	0	0	0	0	0	260
<b>- Total at 31 March 2007</b>	<b>23,545</b>	<b>114,369</b>	<b>1,117</b>	<b>5,518</b>	<b>10,152</b>	<b>104</b>	<b>862</b>	<b>649</b>	<b>156,316</b>

The Trust undertook a full variable life asset review of its buildings in year. This resulted in an increase to the remaining life of all the building assets. This meant that the annual depreciation charge reduced each year but is applied over a longer life span. The effect on 2006/07 accounts is a reduction in annual depreciation of £1.4million.

**11.1 Tangible Fixed Assets (contd)**

No land or buildings were valued at open market value at 31st March 2007.

There were no assets held under finance leases or hire purchase contracts at the balance sheet date.

**11.2 The net book value of land, buildings and dwellings at 31 March 2007 comprises:**

	<b>31 March 2007</b>	31 March 2006
	<b>£000</b>	£000
Freehold	139,031	131,147
Long leasehold	0	0
Short leasehold	0	0
<b>TOTAL</b>	<b><u>139,031</u></b>	<b><u>131,147</u></b>

**12. Stocks and Work in Progress**

	<b>31 March 2007</b>	31 March 2006
	<b>£000</b>	£000
Raw materials and consumables	1,924	2,040
Work-in-progress	0	0
Finished goods	0	0
<b>TOTAL</b>	<b><u>1,924</u></b>	<b><u>2,040</u></b>

**13. Debtors**

	<b>31 March 2007</b>	31 March 2006
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
NHS debtors	2,235	16,206
Provision for irrecoverable debts	(88)	(93)
Other prepayments and accrued income	1,362	1,083
Other debtors	2,060	1,860
<b>Sub Total</b>	<b><u>5,569</u></b>	<b><u>19,056</u></b>

**Amounts falling due after more than one year:**

NHS debtors	0	0
Provision for irrecoverable debts	(64)	(71)
Other prepayments and accrued income	0	0
Other debtors	842	829
<b>Sub Total</b>	<b><u>778</u></b>	<b><u>758</u></b>
<b>TOTAL</b>	<b><u>6,347</u></b>	<b><u>19,814</u></b>

**14. Investments**

No investments were held at the balance sheet date.

**15. Creditors**

**15.1 Creditors at the balance sheet date are made up of:**

	<b>31 March 2007</b>	31 March 2006
	<b>£000</b>	£000
<b>Amounts falling due within one year:</b>		
Bank overdrafts	0	0
Current instalments due on loans	0	0
Interest payable	0	0
Payments received on account	0	0
NHS creditors	1,581	1,159
Non - NHS trade creditors - revenue	2,047	1,929
Non - NHS trade creditors - capital	4,074	1,543
Tax	1,927	1,962
Social security costs	0	0
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	1,152	1,321
Accruals and deferred income	695	301
<b>Sub Total</b>	<b>11,476</b>	<b>8,215</b>
<b>Amounts falling due after more than one year:</b>		
Long - term loans	0	0
Obligations under finance leases and hire purchase contracts	0	0
NHS creditors	0	0
Other	0	0
<b>Sub Total</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>11,476</b>	<b>8,215</b>

Other creditors include £809,419 pension contributions at 31st March 2007. Prior year figure was £1,026,578.

**15.2 Loans [and other long-term financial liabilities]**

There were no loans at the balance sheet date.

**16. Provisions for liabilities and charges**

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructurings £000	Other £000	<b>Total £000</b>
At 1 April 2006	0	1,000	0	0	1,414	<b>2,414</b>
Arising during the year	0	0	0	0	661	<b>661</b>
Utilised during the year	0	(72)	0	0	(1,249)	<b>(1,321)</b>
Reversed unused	0	0	0	0	(16)	<b>(16)</b>
Unwinding of discount	0	20	0	0	0	<b>20</b>
<b>At 31 March 2007</b>	<b>0</b>	<b>948</b>	<b>0</b>	<b>0</b>	<b>810</b>	<b>1,758</b>

**Expected timing of cashflows:**

Within one year	0	72	0	0	810	<b>882</b>
Between one and five years	0	288	0	0	0	<b>288</b>
After five years	0	588	0	0	0	<b>588</b>

The provision under the heading "other" refers to public/employer's liability claims based on the information supplied by the NHS Litigation Authority. In total this amounts to £71,993. The remaining provision under this heading of £737,937 relates to Agenda for Change salary banding payments.

A total of £11,303,814 is included in the provisions of the NHS Litigation Authority at 31/3/2007 in respect of clinical negligence liabilities of the Trust. This figure is split between the Existing Liabilities Scheme (ELS) of £4,677,695 and the Clinical Negligence Scheme for Trusts (CNST) of £6,626,119. Corresponding figures for the year ended 31/3/2006 total £11,230,159 split between ELS of £4,757,703 and CNST of £6,472,456.

The Existing Liabilities Scheme (ELS) covers clinical negligence claims arising out of incidents which occurred before April 1995. It is not a contributory scheme: the costs of funding settlements made under ELS are covered centrally by the Department of Health.

The Clinical Negligence Scheme for Trusts (CNST) is a voluntary risk-pooling scheme for clinical negligence claims arising out of incidents occurring after 1 April 1995, funded out of members' contributions. Currently all NHS Trusts and PCTs in England choose to belong.



**17. Movements on Reserves**

Movements on reserves in the year comprised the following:

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Other Reserves £000	Income and Expenditure Reserve £000	<b>Total £000</b>
At 1 April 2006 as previously stated	46,857	792	260	0	707	<b>48,616</b>
Prior Period Adjustments	0	0	0	0	0	<b>0</b>
At 1 April 2006 as restated	<u>46,857</u>	<u>792</u>	<u>260</u>	<u>0</u>	<u>707</u>	<u><b>48,616</b></u>
Transfer from the income and expenditure account					(2,823)	<b>(2,823)</b>
Fixed asset impairments	0	0	0	0	0	<b>0</b>
Surplus/(deficit) on other revaluations/indexation of fixed/current assets	10,429	51	0	0	0	<b>10,480</b>
Transfer of realised profits/(losses) to the income and expenditure reserve	0	0	0	0	0	<b>0</b>
Receipt of donated/government granted assets	0	895	0	0	0	<b>895</b>
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets	0	(115)	0	0	0	<b>(115)</b>
Other transfers between reserves	(232)	0	0	0	232	<b>0</b>
Other movements on reserves	0	0	0	0	0	<b>0</b>
Reserves eliminated on dissolution	0	0	0	0	0	<b>0</b>
At 31 March 2007	<u><u>57,054</u></u>	<u><u>1,623</u></u>	<u><u>260</u></u>	<u><u>0</u></u>	<u><u>(1,884)</u></u>	<u><u><b>57,053</b></u></u>

**18. Notes to the cash flow Statement**

**18.1 Reconciliation of operating surplus to net cash flow from operating activities:**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Total operating surplus/(deficit)	<b>1,629</b>	3,575
Depreciation and amortisation charge	<b>5,041</b>	5,796
Fixed asset impairments and reversals	<b>0</b>	0
Transfer from donated asset reserve	<b>(115)</b>	(81)
Transfer from the government grant reserve	<b>0</b>	(7)
(Increase)/decrease in stocks	<b>116</b>	(6)
(Increase)/decrease in debtors	<b>13,467</b>	(11,109)
Increase/(decrease) in creditors	<b>730</b>	319
Increase/(decrease) in provisions	<b>(676)</b>	381
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities before restructuring costs	<b>20,192</b>	(1,132)
Payments in respect of fundamental reorganisation/restructuring	<b>0</b>	0
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b><u>20,192</u></b>	<b><u>(1,132)</u></b>

**18.2 Reconciliation of net cash flow to movement in net debt**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Increase/(decrease) in cash in the period	<b>17</b>	7
Cash (inflow) from new debt	<b>0</b>	0
Cash outflow from debt repaid and finance lease capital payments	<b>0</b>	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	<b>0</b>	0
	<hr/>	<hr/>
Change in net debt resulting from cash flows	<b>17</b>	7
Non - cash changes in debt	<b>0</b>	0
Net debt at 1 April 2006	<b>347</b>	340
	<hr/>	<hr/>
<b>Net debt at 31 March 2007</b>	<b><u>364</u></b>	<b><u>347</u></b>

**18.3 Analysis of changes in net debt**

	At 1 April 2006	Cash Transferred (to)/from other NHS bodies	Other cash changes in year	Non-cash changes in year	At 31 March 2007
	£000	£000	£000	£000	£000
OPG cash at bank	291	0	(11)	0	280
Commercial cash at bank and in hand	56	0	28	0	84
Bank overdraft	0	0	0	0	0
Loan from DH due within one year	0	0	0	0	0
Other debt due within one year	0	0	0	0	0
Loan from DH due after one year	0	0	0	0	0
Other debt due after one year	0	0	0	0	0
Finance leases	0	0	0	0	0
Current asset investments	0	0	0	0	0
	<b>347</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>364</b>

## 19. Capital Commitments

Commitments under capital expenditure contracts at 31 March 2007 were £809,101 (31 March 2006 £47,965)

## 20. Post Balance Sheet Events

There are no know post balance sheet events having a material effect on the accounts.

## 21. Contingencies

	2006/07 £000	2005/06 £000
Contingent liabilities	(228)	(32)
Amounts recoverable against contingent liabilities	0	0
<b>Net value of contingent liabilities</b>	<b>(228)</b>	<b>(32)</b>
Contingent Assets	0	0

Contingent liabilities are as follows:

- a) Public/employer liability as notified to the Trust by the NHS Litigation Authority and amounts to £40,983.
- b) Agenda for change contingent liability whereby the Trust recognise a potential liability of £187,000 but this is in respect of claims for pay arrears it is not expecting to receive.

## 22. Movement in Public Dividend Capital

	2006/07 £000	2005/06 £000
Public Dividend Capital as at 1 April 2006	107,565	98,375
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	0	9,190
Public Dividend Capital repaid in year	(12,901)	0
Public Dividend Capital repayable (creditor)	0	0
Public Dividend Capital written off	0	0
Public Dividend Capital issued as originating capital on new establishment	0	0
Public Dividend Capital transferred to Foundation Trust	0	0
Other movements in Public Dividend Capital in year	0	0
<b>Public Dividend Capital as at 31 March 2007</b>	<b>94,664</b>	<b>107,565</b>

**23. Financial Performance Targets****23.1 Breakeven Performance**

The trust's breakeven performance for 2006/07 is as follows:

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Turnover	0	0	85,193	86,709	94,045	101,904	112,810	120,223	125,468	124,537
Retained surplus/(deficit) for the year	0	0	(377)	3	17	7	1	(1,189)	0	(2,823)
Adjustment for:										
- 2000/01 Prior Period Adjustment (relating to 1997/98 to 1999/2000)	0	0	359							
- Other agreed adjustments	0	0	0	0	0	0	0	0	1,189	0
Break-even in-year position	0	0	(18)	3	17	7	1	(1,189)	1,189	(2,823)
Break-even cumulative position	0	0	(18)	(15)	2	9	10	(1,179)	10	(2,813)
Materiality test (I.e. is it equal to or less than 0.5%):										
- Break-even in-year position as a percentage of turnover	0.00%	0.00%	(0.02%)	0.00%	0.02%	0.01%	0.00%	(0.99%)	0.95%	(2.27%)
- Break-even cumulative position as a percentage of turnover	0.00%	0.00%	(0.02%)	(0.02%)	0.00%	0.01%	0.01%	(0.98%)	0.01%	(2.26%)

The Trust's recovery plan, approved by the SHA aims to achieve cumulative break-even in 2008/09. This will be achieved by generating a surplus in both 2007/08 and 2008/09.

Other agreed adjustments relates to a reversal of a Resources and Accounting Budgeting (RAB) income deduction from 2005/06. On 28th March 2007, the Department of Health announced an end to RAB deductions for NHS Trusts (the double whammy effect). In line with the revised manual for accounts on this issue, the Trust is allowed to an adjustment to reverse RAB deductions in previous years. This adjustment has been agreed with the Trust's External Auditors.

### 23.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £5,148,000, bears to the average relevant net assets of £152,456,000, that is 3.4%.

The variance from 3.5% is within the Department of Health's materiality range of 3.0% to 4.0%.

### 23.3 External financing

The Trust is given an external financing limit which it is permitted to undershoot.

	£000	2006/07 £000	2005/06 £000
External financing limit		(12,901)	9,190
Cash flow financing	(12,918)		9,183
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		<u>(12,918)</u>	<u>9,183</u>
<b>Undershoot</b>		<u><u>17</u></u>	<u><u>7</u></u>

### 23.4 Capital Resource Limit

The Trust is given a capital resource limit which it is not permitted to overspend

	2006/07 £000	2005/06 £000
Gross capital expenditure	7,685	13,339
Less: book value of assets disposed of	(1,417)	(11,294)
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of fixed assets	(895)	(60)
Charge against the capital resource limit	<u>5,373</u>	<u>1,985</u>
Capital resource limit	5,375	1,987
<b>Underspend against the capital resource limit</b>	<u><u>2</u></u>	<u><u>2</u></u>

## 24. Related Party Transactions

Southport and Ormskirk Hospital NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with the above NHS Trust.

The Department of Health is regarded as a related party. During the year Southport & Ormskirk Hospital NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

	<b>2006/07</b>	<b>2005/06</b>
	<b>£'000s</b>	<b>£'000s</b>
Sefton PCT	53,224	45,367
Central Lancashire PCT	42,260	42,272
National Blood Authority expenditure incurred	1,084	1,137
NHS Supply Chain expenditure incurred	2,914	2,811

Note that many PCT mergers took place in year. Comparator figures for 05/06 have been adjusted to reflect the new organisations.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. These transactions have been conducted in the normal course of NHS business.

The Trust has also received revenue and capital payments from a number of charitable funds. Certain Trustees are also members of the NHS Trust Board. The Summary Financial Statements of the Funds Held on Trust are included in the charitable fund annual report.

## **25. Private Finance Transactions**

There were no private finance transactions at the balance sheet date.



**25.2 'Service' element of PFI schemes deemed to be on-balance sheet**

There were no private finance transactions at the balance sheet date.

**26 Pooled Budget**

There were no pooled budget projects at the balance sheet date.

## **27 Financial Instruments**

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile. Provisions should be shown gross. Any amount expected in reimbursement against a provision (and included in debtors) should be separately disclosed.

### **Liquidity risk**

The NHS Trust's net operating costs are incurred under annual service agreements with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. Southport and Ormskirk Hospital NHS Trust is not, therefore, exposed to significant liquidity risks.

### **Interest-Rate Risk**

All of the Trust's financial assets and all of its financial liabilities carry nil or fixed rates of interest. Southport and Ormskirk Hospital NHS Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

**27.1 Financial Assets**

	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing Weighted average term
					Weighted average interest rate	Weighted average period for which fixed	
Currency	£000	£000	£000	£000	%	Years	Years
At 31 March 2007							
Sterling	364	364	0	0	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
<b>Gross financial assets</b>	<b>364</b>	<b>364</b>	<b>0</b>	<b>0</b>			
At 31 March 2006							
Sterling	347	347	0	0	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
<b>Gross financial assets</b>	<b>347</b>	<b>347</b>	<b>0</b>	<b>0</b>			

**27.2 Financial Liabilities**

	Total	Floating rate	Fixed rate	Non-interest bearing	Fixed rate		Non-interest bearing Weighted average term
					Weighted average interest rate	Weighted average period for which fixed	
Currency	£000	£000	£000	£000	%	Years	Years
At 31 March 2007							
Sterling	95,684	0	1,020	94,664	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
<b>Gross financial liabilities</b>	<b>95,684</b>	<b>0</b>	<b>1,020</b>	<b>94,664</b>			
At 31 March 2006							
Sterling	108,636	0	1,071	107,565	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
<b>Gross financial liabilities</b>	<b>108,636</b>	<b>0</b>	<b>1,071</b>	<b>107,565</b>			

Note: The public dividend capital is of unlimited term.

**Foreign Currency Risk**

The Trust has no/negligible foreign currency income or expenditure.

**27.3 Fair Values**

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2007.

	<b>Book Value</b>	<b>Fair Value</b>	<b>Basis of fair valuation</b>
	<b>£000</b>	<b>£000</b>	
<b>Financial assets</b>			
Cash	364	364	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	0	0	Note a
Investments	0	0	
<b>Total</b>	<u>364</u>	<u>364</u>	
<b>Financial liabilities</b>			
Overdraft	0	0	
Creditors over 1 year:			
- Early retirements	(948)	(948)	Note b
- Finance leases	0	0	Note c
Provisions under contract	(72)	(72)	Note d
Loans	0	0	
Public dividend capital*	(94,664)	(94,664)	Note e
<b>Total</b>	<u>(95,684)</u>	<u>(95,684)</u>	

## Notes

- a These debtors reflect agreements with commissioners to cover creditors over 1 year for early retirements and provisions under contract, and their related interest charge/unwinding of discount. In line with notes c and e, below, fair value is not significantly different from book value.
- b Fair value is not significantly different from book value since interest at 9% is paid on early retirement creditors.
- c To obtain fair value, cash flows have been discounted at prevailing market interest rates for finance leases for a similar term.
- d Fair value is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury discount rate of 3.5% in real terms.
- e The figure here should be the full value of PDC in the balance sheet and 'book value' should equal 'fair value'.

## 28 Third Party Assets

The Trust held £1,447 cash at bank and in hand at 31 March 2007 (£775 - at 31 March 2006) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

## 29 Intra-Government and Other Balances

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£000	£000	£000	£000
Balances with other Central Government Bodies	1,786	0	1,110	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	449	0	372	0
Balances with Public Corporations and Trading Funds	0	0	99	0
Balances with bodies external to government	3,334	778	9,895	0
<b>At 31 March 2007</b>	<b><u>5,569</u></b>	<b><u>778</u></b>	<b><u>11,476</u></b>	<b><u>0</u></b>
Balances with other Central Government Bodies	15,712	0	490	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	494	0	418	0
Balances with Public Corporations and Trading Funds	0	0	251	0
Balances with bodies external to government	2,850	758	7,056	0
<b>At 31 March 2006</b>	<b><u>19,056</u></b>	<b><u>758</u></b>	<b><u>8,215</u></b>	<b><u>0</u></b>

## 30 Losses and Special Payments

There were 564 cases of losses and special payments (2005/06: 999 cases) totalling £225,449 (2005/06: £239,385) paid during 2006/07.

Note: The total costs included in this note are on a cash basis and will not reconcile to the amounts in the notes to the accounts which are prepared on an accruals basis.